Government of Saskatchewan

Annual Report 1985-86

Saskatchewan Public Utilities Review Commission

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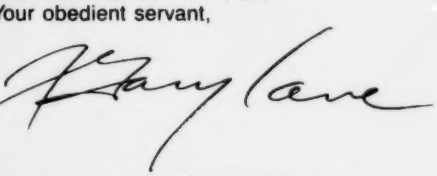
Letters of Transmittal

To His Honour
The Honourable F.W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Dear Sir:

I have the honour to submit, herewith, the Annual Report of the Saskatchewan Public Utilities Review Commission for the 1985-86 operating year, including the financial statements, therefore, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board.

I have the honour to be, Sir,
Your obedient servant,



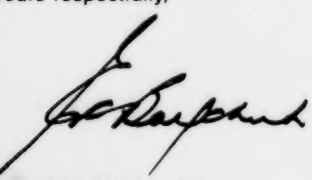
Honourable J. Gary Lane, Q.C.
Minister Responsible for
Saskatchewan Public Utilities Review Commission

The Honourable J. Gary Lane
Minister of Finance
Room 312
Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour to submit, herewith, the Annual Report of the Saskatchewan Public Utilities Review Commission for the 1985-86 operating year.

Yours respectfully,



Associate Chief Judge
E.C. Boychuk, Chairman

Introduction

The purpose of this report is to comply with Section 41(1) of the **Public Utilities Review Commission Act** (the **Act**). The **Act** requires the Commission to submit to the Minister responsible for the Commission a report respecting the administration of the **Act** and to set out briefly all applications made to the Commission, as well as to summarize the Commission's findings and determinations.

This report encompasses the April 1, 1985 to March 31, 1986 period.

The Members

The **Act** provides for not more than seven Commissioners to be appointed by the Lieutenant Governor-in-Council. Each Commissioner holds office during pleasure for a period of not more than five years, and each Commissioner is eligible for reappointment. At March 31, 1986 the Commission consisted of the following members:

E.C. Boychuk - Chairman, Saskatoon
June L. Blau - Vice-Chairman, Regina
Roy Billinton - Member, Saskatoon
Bernard H. Kirwan - Member, Gull Lake
Arnold L.M. Nelson - Member, Regina
Emily Poncelet - Member, Whitewood
E. Marion Sherman - Member, Prince Albert

The Chairman of the Commission serves in a full-time capacity. All other Commissioners serve in a part-time capacity.

The Staff

The permanent staff of the Commission consists of the Commission Secretary, an Administrative Officer, a Rate Case Analyst, a Legal Counsel and a Clerk Steno.

Location

The Commission office is located at:
Sturdy-Stone Centre,
122 Third Avenue North,
SASKATOON, Saskatchewan.
S7K 2H6

Public Utility Regulation

Section 3(1) of the **Act** states that the Commission is responsible for the regulation of the following:

1) Saskatchewan Power Corporation (SPC) and North-Sask Electric Ltd. with respect to their rates for the sale of electrical energy or gas within Saskatchewan.
2) Saskatchewan Telecommunications (SaskTel) with respect to its rates charged within Saskatchewan for non-competitive telephone services.
3) Saskatchewan Government Insurance (SGI) as insurer under the **Automobile Accident Insurance Act** (**AAIA**) with respect to basic premiums for motor vehicles, trailers, semi-trailers and drivers.
4) any corporation, including a municipal corporation, which is designated in the regulations and which sells electrical energy or gas within Saskatchewan, with respect to its rates for such sales.

At present no corporations have been made subject to the Commission's jurisdiction by regulation.

SPC, SaskTel and SGI provide regulated services to the province on a monopoly basis. As such, the Commission considers that one of its purposes as a regulator of rates is to act, as far as possible, as a substitute for the market forces which would exist if these corporations were operating in a competitive environment.

The Commission does not manage these corporations nor does the Commission determine which services these corporations will provide. However, having decided to offer new regulated services, the corporations must submit rates for those services to the Commission and satisfy the Commission that the proposed rates are reasonable and justified in the circumstances. In addition, any changes to rates for existing regulated services must be submitted to the Commission for review. In making its decisions, the Commission may allow the proposed rates or substitute other rates in their place. The rates approved by the Commission are the only lawful and enforceable rates that may be collected by the corporations for the provision of regulated services.

The Commission is a quasi-judicial body and considers that it has a dual role in considering a rate application. In its capacity as a judge, the Commission hears and weighs evidence submitted by the applicant corporation and interested parties. In its capacity as a public interest advocate, the Commission actively seeks out evidence through the interrogatory process and questioning by Commission members or through questioning by its own counsel at public hearings.

Generally, the **Act** requires that the Commission conduct its review of rate applications in public. This public review serves to open up the rate making process and the operations of the corporations to public scrutiny, thereby, providing an opportunity for

the public to express their views regarding rate applications to the Commission and the corporations.

All of the corporations presently regulated by the Commission are Crown-owned. This is reflected in a number of provisions of the **Act** which may serve to modify the Commission's regulatory function.

Section 3(2) provides that the Lieutenant Governor-in-Council "may by regulation exempt a corporation from compliance with any provisions of the Act with respect to a rate or class of rates." Section 12(2) provides that the minister to whom the administration of the **Act** is assigned may request the Commission to "rehear an application or reconsider any decision or order made by it." No regulations or requests have been made under sections 3(2) or 12(2).

Direction

Section 24 of the **Act** provides a mechanism whereby the Lieutenant Governor-in-Council may give direction to the Commission by way of an Order-in-Council.

> " 24(2) The commission shall comply with any general or special direction of the Lieutenant Governor in Council with respect to the exercise of any of its powers and duties.
>
> (3) Any direction given pursuant to subsection (2) is to be given in the form of an Order in Council, published in the Gazette and, where the direction was relevant to the commission in arriving at its decision, shall be referred to in any written reasons for decision provided by the commission pursuant to section 32."

There were four Orders-in-Council issued pursuant to this section during the 1985/86 fiscal year.

Order-in-Council #1143/85, dated November 14, 1985

This Order-in-Council directed the Commission to exercise its power under Section 12(1) of the **Act**.

> "s.12(1) The commission may rehear an application before deciding it, or may review, reconsider, rescind or vary any order or decision made by it."

The Order-in-Council dealt with the costs associated with the uneconomic portion of the Saskatchewan Natural Gas Distribution Program which the Commission had ordered would not be included in SPC's costs for rate making purposes.

The Order-in-Council directed the Commission to:

> "Include costs resulting from the Saskatchewan Natural Gas Distribution Program in the determination of revenue requirements of the gas utility;"

and to

> "Vary Commission Order SPC 6-83 insofar as it applies to such costs."

In addition, the Order-in-Council directed the Commission to:

> "Approve amendments to Saskatchewan Power Corporation's Farm Irrigation Investment Business Policy to permit the Corporation to treat potential irrigation customers on a project basis whereby a construction contribution is required from a maximum of 51% of potential irrigation customers prior to commencement."

Order-in-Council #1198/85, dated November 28, 1985

This Order-in-Council corrected an error in the portion of Order-in-Council #1143/85 which dealt with irrigation investment policy by striking out the word "maximum" where it appeared and substituting the word "minimum."

Order-in-Council #1292/85, dated December 19, 1985

This Order-in-Council directed the Commission to:

a) "Vary Saskatchewan Public Utilities Review Commission Order SGI 3-84 dated November 30, 1984, by rescinding that part of the order which reads as follows:
'IT IS FURTHER ORDERED that Saskatchewan Government (sic) administer the Saskatchewan Auto Fund in such a way that the allowed Rate Stabilization Reserve for the Saskatchewan Auto Fund at the end of the 1985 fiscal year is not to be expected to exceed $38,500,000.' "

and,

b) "In determining whether premiums are reasonable and justified in connection with an application by Saskatchewan Government Insurance, the commission shall not establish, fix or determine the amount to be maintained in the rate stabilization reserve of the Saskatchewan Auto Fund."

Order-in-Council #1197/85, dated November 28, 1985
This Order-in-Council directed the Commission:

"Within one month of an application to the Commission by Saskatchewan Telecommunications, to approve:

(i) upon the amalgamation of the Caron telephone exchange as part of the Moose Jaw telephone exchange, the result that the local telephone rates to be charged to the former Caron telephone exchange subscribers will be the rates applicable to the Moose Jaw telephone exchange subscribers;

(ii) upon the amalgamation of the Sedley telephone exchange as part of the Riceton telephone exchange, the result that the local telephone rates to be charged to the former Sedley telephone exchange subscribers will be the rates applicable to the Riceton telephone exchange subscribers;

(iii) upon the amalgamation of the Vibank telephone exchange as part of the Balgonie telephone exchange, the result that the local telephone rates to be charged to the former Vibank telephone exchange subscribers will be the rates applicable to the Balgonie telephone exchange subscribers."

Jurisdiction

The Commission may hear and determine all questions of law and fact. The decisions of the Commission may be appealed, with leave to the Saskatchewan Court of Appeal, on a question of law or jurisdiction within thirty days of a Final Order. In addition, the Commission may state a case in writing for the opinion of the Court of Appeal on a question of law or jurisdiction.

Court Proceedings

There was one appeal of a Commission decision in the 1985/86 fiscal year. On March 20, 1985, SGI applied to the Court of Appeal for leave to appeal from the Orders of the Commission dated November 30, 1984, February 28, 1985 and March 14, 1985. Leave to appeal was granted by the Court of Appeal on April 24, 1985.

The Appeal was made upon the following grounds:

"That the Commission does not have jurisdiction to control the rate stabilization reserve portion of the Saskatchewan Auto Fund, as attempted by its Order dated November 30, 1984, because such jurisdiction is not conferred by **The Public Utilities Review Commission Act**."

SGI abandoned its appeal subsequent to the promulgation of Order-in-Council #1292/85 dated December 19, 1985.

Procedure

Under the provisions of Section 28(2) of the **Act**, the Commission may adopt rules respecting practice and procedure. In general, the Commission has decided not to adopt formal rules of procedure, choosing instead to publish guidelines which will enable the Commission to keep the process flexible and accessible to the public.

The guidelines have been published by the Commission in three parts under the title "Information for Intervenors." The first part entitled "Application Review Guidelines" sets out the general sequence of events from the time an application is filed with the Commission, through to the issuance of a final order. In addition, this part addresses the points that should be included in an intervenor submission and by the corporation in a rate application.

The second part entitled "The Hearing Process" explains the Interim Increase Hearing and the two components - Phase I and Phase II of the Main Hearing. At an Interim Increase Hearing, the applicant corporation must satisfy the Commission that the corporation cannot maintain its financial integrity until a final determination of the application is made. At a Phase I Hearing, the Commission considers the corporation's revenue requirements. At the Phase II Hearing, the Commission considers the rate structure

proposed by the corporation to generate the revenue requirement established in Phase I.

The third part, entitled "Procedure at Commission Hearings" traces the order of presentation of evidence and cross-examination.

In addition, the Commission has adopted the practice of publishing a package of information prior to the commencement of major proceedings before the Commission which reviews the issues and procedures for the particular proceeding.

These publications are available to the public on request.

Public Notice

Section 5(4) of the **Act** states that the Commission "shall give public notice of the application in the manner prescribed in the regulations." No regulations have, to date, been passed. The Commission has adopted the practice of giving public notice of general rate applications and the dates of hearings by advertising in Saskatchewan's daily and weekly newspapers.

The Commission regularly receives applications from SPC, SaskTel and SGI requesting minor amendments to their rates schedules. In the case of SaskTel and SPC minor amendments, the Commission has adopted the practice of reviewing these applications internally and granting interim approval of the rates. The interim orders are issued to all interested parties. In addition, news releases summarizing the applications and orders are issued. The Commission may grant final approval of the applications if no concerns are raised by the public or may hold public hearings at which interested parties are given the opportunity to address the applications prior to a final order being made.

In the case of SGI minor amendment applications, public notice is given in the Saskatchewan Gazette. The Commission reviews the applications internally and if no concerns are raised within thirty days of notice being given in the Gazette, the Commission will issue an order approving the application.

The Commission has also adopted the practice of giving notice of SPC and SaskTel general rate applications and public hearings by way of an insert in the customer billing envelopes.

Copies of all applications to the Commission can be viewed at the Commission's office or at any of the respective corporations' business offices throughout the province.

Hearings

Section 5(4) of the **Act** states that the Commission may, in its discretion, hold public hearings with respect to an application. Section 30(2) of the **Act** states "Except as otherwise authorized by this Act or the regulations, the hearings of the Commission are to be open to the public."

Section 25 of the **Act** states:

"The Commission may:

a) hear and determine all questions of law or of fact;
b) hold proceedings, including hearings, **in camera** if it considers it necessary to do so:
   i) in the public interest; or
   ii) in the event that disclosures to be made at the proceeding may harm the financial interest of a corporation or any other person if revealed in public;
c) make any orders that it considers necessary to protect the confidentiality of information disclosed at proceedings held **in camera** or otherwise obtained by the Commission."

The Commission would prefer that all information supplied by the applicant corporation be made public. However, the Commission has found it necessary to accept some information on a confidential basis. When an objection has been raised to requests for confidentiality, the Commission has heard argument and attempted to facilitate a compromise solution so that sufficient information was made available to allow effective public participation. The Commission did not hold any **in camera** hearings in the 1985/86 fiscal year.

During the 1985/86 fiscal year there were a total of 21 public hearing days broken down as follows:

SPC	13 hearing days
SaskTel	8 hearing days
SGI	no public hearing.

The Commission held a public hearing August 19-23, 1985 and October 28-29, 1985 to review the following topics relating to SaskTel:

1. Net Income Studies for 1983 and 1984;
2. Depreciation Methods, Procedures and Techniques;
3. Application ST84-10 which requested approval of an optional calling plan (DIALPAC);
4. Application ST85-05 which requested approval of rates for General Mobile Telephone Service - Automatic (AutoPhone) and which had previously been approved by the Commission on an interim basis;
5. Nine minor amendment applications which had previously been approved by the Commission on an interim basis.

A SaskTel public hearing was held on November 29, 1985 to consider the following matters arising out of the August and October hearings:

1. The disclosure of confidential information;
2. The role of the Commission's advisors with particular reference to Section 21(2) of **The Public Utilities Review Commission Act**;
3. The question of whether "DIALPAC" is a rate or a service within the terms of **The Public Utilities Review Commission Act**;
4. The Commission's jurisdiction with particular reference to Sections 3(1)(b) and 6(2)(b)(ii) of **The Public Utilities Review Commission Act**.

The Commission held a public hearing December 9-13 and December 16-18, 1985 to review the following topics relating to SPC:

1. Load Forecasting Procedures;
2. Capacity Adequacy Assessment Techniques and Criteria for Generation Planning;
3. Depreciation Methods and Practices;
4. Cost of Service Methodology for the Electric Utility;
5. Cost of Service Methodology for the Natural Gas Utility;
6. A proposed Gas Cost Adjustment Mechanism.

The Commission held a public hearing February 10-14, 1986 to review the following matters relating to SPC:

1. Whether the existing natural gas rates as established by the Commission in Order SPC I0-84 were reasonable and justified in the circumstances;
2. An application for a 7.5% interim increase in electric rates for SPC and North-Sask Electric Ltd.

Intervenors

Intervenors are interested parties that register with the Commission and receive copies of the application and all written questions and answers.

Intervenors may choose not to actively participate in the hearing process, but may register simply to receive the available information. Alternatively, intervenors may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses and cross-examine the applicant corporation. If an intervenor chooses to submit evidence, the corporation as well as other intervenors will be given an opportunity to cross-examine the intervenor and any of his/her witnesses.

The Commission is pleased with the interventions it has received to date and has made every effort to encourage and assist intervenors. There were sixteen intervenors registered for the August and October segments of the 1985 SaskTel hearing. Twenty-seven intervenors were registered for the December 1985 SPC hearing and thirty-five intervenors were registered for the February 1986 SPC hearing.

The Commission believes that active interventions are essential to the effective performance of its regulatory function. Through interventions the Commission is able to receive information from specific customers, which might not otherwise be available, thereby gaining a more thorough understanding of the impact of the corporations' proposals on specific customers. A number of intervenors have called witnesses at the public hearings to provide expert testimony regarding the corporations' proposals. The Commission has found that these interventions have served to broaden the issues and have resulted in dialogue that has assisted the Commission in more clearly defining the issues to be resolved.

In addition to submissions by intervenors, the Commission receives submissions from members of the general public and files these submissions in evidence at the hearings when requested. The Commission continues to encourage submissions from the general public.

Expenditures

The sums required for the purposes of the Commission are provided from money appropriated by the Legislature. The Commission's General Operating expenses for the 1985/86 fiscal year were $242,000.

The Commission recovers Direct Hearing Costs from the regulated corporations, which in turn recover these costs through customer rates. This practice is consistent with the role of a regulatory commission responsible for regulating monopolies, and is consistent with the practice of other public utility boards and commissions.

Direct Hearing Costs for the three corporations within the Commission's jurisdiction during the 1985/86 fiscal year were as follows:

Saskatchewan Power Corporation	$235,500
Saskatchewan Telecommunications	$141,664
Saskatchewan Government Insurance	$ 7,668
Total	$384,832

Direct Hearing Costs include the following:

- commissioners' per diems and expenses
- staff travel and sustenance
- consultants' fees and expenses
- legal counsel fees and expenses
- intervenor costs
- rent of grounds/buildings
- court reporting expenses
- publication of notices
- audio/visual expenses
- miscellaneous expenses

Intervenor Costs

The Commission's jurisdiction with respect to costs is found in Section 31 of the **Act**.

> "31. The costs incidental to a proceeding before the commission are in the discretion of the commission."

This section gives the Commission the authority to award costs to intervenors. The corporations recover such costs through the rates charged to their customers.

Pursuant to Section 31 of the **Act**, the Commission made cost awards to two intervenors registered for the February 1986 SPC hearing as follows:

Norplan Consulting (representing the Northern Settlement of Brabant Lake and the Hamlet of Deschambault Lake)	- $2,000.00
Mr. A.H. Schabang (appearing on his own behalf)	- $ 261.30

Sections 30(5) and (6) of the **Act** state:

> "(5) With the approval of the Attorney General, the Commission may appoint counsel to represent a class of persons interested in a matter for the purpose of attending on an application or hearing.
>
> (6) The Commission may fix the costs of counsel appointed pursuant to subsection (5) and may order by whom and in what amount or proportion they be paid, but may not require a member of the class referred to in subsection (5) to pay the costs of counsel appointed by the Commission without the prior consent of that member."

In the 1985/86 fiscal year, the Commission, with the approval of the Attorney General, appointed counsel for the Consumers' Association of Canada (Saskatchewan Branch) to represent Saskatchewan consumers at the February 1986 SPC public hearing. The Commission fixed the costs of counsel so appointed at $2,350.00.

Applications

Saskatchewan Telecommunications

[Note: The Commission did not receive Applications numbered ST85-04, ST86-02, ST86-03, ST86-04 or ST86-05 from SaskTel]

Application ST85-05, May 2, 1985

This Application requested approval of rates for General Mobile Telephone Service - Automatic (AutoPhone).

Application ST85-06, June 3, 1985

This Application requested approval of a reduction of the minimum amount against which late payment charges are assessed from $50 to $20. This Application was subsequently withdrawn by SaskTel.

Application ST85-07, April 4, 1985

This Application requested approval to levy a charge on directory assistance calls originating in Saskatchewan and terminating in the United States. The proposed charge was 50¢ for each call over 50 calls in one month and was requested to prevent abuse of the service.

Application ST85-08, June 6, 1985

This Application requested approval of rates for the Mitel Superset III Telephone Set.

Application ST85-09, June 6, 1985

This Application requested approval of revised rates for the Mitel Superset IV Telephone Set.

Application ST85-10, June 11, 1985

This Application requested approval of rates for the TIE Smart Set Telephone.

Application ST85-11, June 5, 1985

This Application requested approval of rates for the SL-1 Handsfree Auto Answer Unit.

Application ST85-12, June 17, 1985

This Application requested approval of rates for the Electra 16/48 Electronic Multi-Line Key System.

Application ST85-13, July 5, 1985

This Application requested approval of rates for the Delphi 308 Electronic Multi-Line Key System, the Delphi 6 Speakerphone and the Delphi 6 Amplified Handset.

Application ST85-14, January 14, 1986

This Application requested approval of rates for the Northern Telecom SL-1S Voice and Data System.

Application ST85-15, November 22, 1985

This Application requested approval of rates for the Unity II Telephone Set.

Application ST85-16, November 22, 1985

This Application requested approval of 1985 vintage rates for the Delphi 612 Multi-Line Key System.

Application ST85-17, October 30, 1985

This Application requested approval to conduct a promotional trial of touch tone service in the city of Regina between January 1 and February 28, 1986. The trial would encourage residential subscribers to switch to touch tone service by waiving the applicable line connect charge and order processing charge.

Application ST86-01, January 17, 1986

This Application requested approval to restructure the rates for Wide Area Telephone Service (WATS) for Zones 2-6, changes in the WATS 5 and 10 services, the replacement of the WATS 160 service with WATS 120 service and the introduction of new WATS overtime rates.

Application ST86-06, February 27, 1986

This Application requested approval of a one-time non-standard service charge for the installation of a Superset III Wall Telephone Set.

Application ST86-07, March 18, 1986

This Application was made subsequent to Order-in-Council #1197/85 and requested approval of rates for the Telephone Exchange Boundary Review Pilot Projects to be conducted between the Caron-Moose Jaw, Sedley-Riceton and Vibank-Balgonie exchanges.

Application ST86-08, March 17, 1986

This Application requested approval of rates for a new long distance discount calling plan called DIALPAC. The Application was revised from the original DIALPAC Application (Application ST84-10) which had been denied by the Commission in Order ST2-86.

Saskatchewan Government Insurance

[Note: The Commission did not receive Applications numbered SGI 3-85 through SGI 5-85 and SGI 1-86 through SGI 6-86 from SGI.]

SAF Application SGI 1-85, April 1, 1985

This Application requested approval of amendments to the premium schedule in order to correct errors in the premium schedule, establish premiums for new vehicle models, adjust certain premiums to provide consistency with existing rates and establish premiums for vehicles registered in some classes for the first time.

SAF Application SGI 2-85, June 27, 1985

This Application requested approval of amendments to the automobile insurance premium schedule for newly registered vehicles and new make/models of vehicles.

SAF Application SGI 6-85, September 25, 1985
This Application requested approval of premiums for vehicles being registered in the province for the first time, as well as adjustments to some premiums which were previously approved by the Commission.

SAF Application SGI 7-86, March 20, 1986
This Application requested approval of amendments to the automobile insurance premium schedule for newly registered vehicles and new make/models of vehicles.

Saskatchewan Power Corporation

December 11, 1985
This Application requested approval to implement a new temporary grain dryer service connection business policy.

January 20, 1986
This Application requested approval of a 7.5% across-the-board interim increase in electric rates effective March 1, 1986. Evidence submitted by SPC showed that without any rate increase in 1986, the electric utility would sustain a loss of $81.2 million in 1986. A 7.5% increase effective March 1, 1986 would reduce that loss to $51.0 million, based on 1986 forecast expenses and revenues. The magnitude of the forecast electric utility loss was presented as **prima facie** evidence that the electric utility needed immediate rate relief. In addition, SPC indicated that without any rate relief in 1986, the electric utility would find itself in a capital deficit or negative equity position.

SPC stated that one of the main reasons it was seeking a rate increase at this time was because of the commissioning of the Nipawin Hydroelectric Project, resulting in the depreciation and financing charges associated with the project beginning to be charged as current expenses in 1986. SPC stated that Nipawin alone would result in an increase in interest and depreciation charges in 1986 totalling $58 million.

SPC requested that the 7.5% rate increase be applied equally to all customer classes and stated that, in its view, it would be inappropriate in an Interim Rate Application to apply different rate increases to the various customer classes in order to adjust revenue to cost of service ratios. In addition, SPC stated that it would be inappropriate to adjust revenue to cost of service ratios until the Commission had approved a new cost of service methodology for SPC.

SPC indicated that in order to bring about "the level of improvement required" in the electric utility, a 20% to 25% increase in electric rates would be necessary. However, due to the current economic conditions in Saskatchewan, the corporation was seeking only 7.5% in 1986 and would be seeking increases of a similar magnitude in 1987 and 1988. SPC stated that increases greater than 7.5% at this time would constitute a "rate shock" for its customers. SPC defined rate shock as an increase in rates greater than two times the rate of inflation.

March 19, 1986
This Application requested approval to amend SPC Business Policy pages GP3.0 and GP4.0, effective March 1, 1986, in order to facilitate permanent grain dryer services located in urban communities.

Other Matters

During the 1985/86 fiscal year, the Commission reviewed a number of matters relating to SaskTel and SPC which arose out of previous proceedings. The Commission's intention was to settle as many questions as possible about methodology, format and procedure outside of rate proceedings so that future rate proceedings could deal almost exclusively with the requested rate changes.

Saskatchewan Telecommunications

Depreciation
In Order ST 6-83, dated October 14, 1983, the Commission directed SaskTel to provide the Commission with a copy of its annual Depreciation Study each year. SaskTel filed its 1983 and 1984 Depreciation Studies on March 6, 1984 and April 18, 1985 respectively. SaskTel's annual depreciation expense represents a significant portion of the corporation's annual revenue requirement and as such the Commission considers that it must be satisfied that SaskTel's depreciation policies are reasonable and consistent with sound regulatory principles.

Net Income Study
In Order ST 6-83 the Commission directed SaskTel to satisfy the Commission that the corporation's regulated services do not subsidize its unregulated services. In response to this direction, SaskTel filed a Net Income Study for each of the years 1983 and 1984. These studies segmented the costs and revenues of the corporation into three categories: regulated, unregulated and common. In addition, SaskTel filed evidence regarding the interpretation of the results of the Net Income Study, with a view to answering the Commission's directive that SaskTel demonstrate that its regulated services do not subsidize its unregulated services.

Saskatchewan Power Corporation

Load Forecasting Procedures

In Order SPC 6-83, dated December 16, 1983, the Commission directed SPC to reassess its forecasting procedures to ensure that the methods employed result in the best forecasts reasonably attainable. SPC filed a report, prepared by DataMetrics Limited, with the Commission on March 12, 1985.

The load forecast is the most fundamental planning document produced by SPC. It's primary uses are to determine when and in what quantity additional energy supply is required, so steps can be initiated to ensure adequate supply; to establish a projection for the borrowings and rate increases needed to provide sound financing for the additional energy supply required to meet the load forecast; and to aid in the short term operation of SPC's natural gas and electric system. Accordingly, the Commission considers that it must be satisfied that SPC's load forecasting procedures are the most appropriate to produce the best forecasts reasonably attainable.

Capacity Adequacy Assessment Techniques and Criteria for Generation Planning

In Order SPC 6-83, dated December 16, 1983, the Commission expressed concern that SPC's "deterministic" method of evaluating its electric generation capacity requirements resulted in a risk level which is apparently much higher than that tolerated by other Canadian utilities. The Commission instructed SPC to review the criteria utilized by other Canadian utilities and to conduct a quantitative appraisal of its present and proposed generating facilities which could be compared with the criteria used by other Canadian utilities. The Commission also requested SPC to conduct an intensive appraisal of its generating capacity planning criteria and present to the Commission a detailed report on a proposed procedure and criteria.

SPC filed a report prepared jointly by SPC and Associated Power Analysts, Inc. with the Commission on February 1, 1985 which recommended the adoption of a "probabilistic" approach for evaluating the corporation's generation capacity adequacy and for use in generation planning. The report recommended adoption of the "Expected Unserved Energy" (EUE) index which gives a combined indication of the frequency, duration and magnitude of power outages. In addition the report recommended that SPC establish the value of its EUE index at 200 units of expected unserved energy per million units of forecast energy consumption per year.

The Commission noted that the development of acceptable generation expansion criteria is a fundamental requirement in the development of the ten year electric utility supply and financial plans.

Depreciation

In Order SPC 6-83 the Commission requested SPC to carry out depreciation studies so that the results would be available for general rate applications submitted after January 1, 1985. On April 22, 1985 SPC filed a report prepared by Deloitte Haskins and Sells which indicated that SPC would require a further depreciation study to be able to establish its depreciation rates in a manner that would allow SPC to support the validity of its depreciation rates before the Commission. SPC's annual depreciation expense represents a significant portion of the corporation's annual revenue requirement and, as such, the Commission considers that SPC's depreciation methods and practices are an important matter for review by the Commission in its determination of reasonable and justified rates.

Cost of Service Methodologies

Following Phase II of the 1983 SPC rate hearings, SPC undertook a review of the methods and practices used by the corporation to allocate the electric and gas utilities' revenue requirements to the various customer classes. SPC filed Electric and Gas Cost of Service Methodology reports prepared by Foster Associates, Inc. with the Commission on October 17, 1985. In its 1983 General Rate Application SPC stated its intention to set rates in order to more closely reflect the costs of providing service to individual customer classifications. In Order SPC 6-84 the Commission endorsed the concept of cost of service as a guiding principle for designing rates for each of the gas and the electric utilities. Accordingly, the Commission considers that it must be satisfied that the methods employed by SPC to allocate costs to each customer class provide the most reasonable representation of the costs actually caused by those classes.

Gas Cost Adjustment Mechanism

In Order SPC 10-84, dated September 6, 1984, the Commission stated that it expected SPC to submit proposals to the Commission to handle future changes in the cost of natural gas. SPC submitted a proposal for a Gas Cost Adjustment Mechanism to the Commission on December 10, 1985. The cost of natural gas is the largest single component of the gas utility's annual revenue requirement and is subject to variability due to a number of factors; some within and some outside of SPC's control. The purpose of the Gas Cost Adjustment Mechanism proposal was to establish a procedure which would pass through to consumers any net changes in SPC's unit cost of gas by periodically adjusting the commodity component of SPC's natural gas rates. Neither gas customers nor SPC would receive any gain or incur any loss as a result of changing gas costs.

Orders

Saskatchewan Telecommunications

Order ST 4-85, April 8, 1985

This Order approved Application ST85-03 which requested the implementation of a $10.00 processing charge for NSF cheques received by SaskTel from its customers.

Order ST 5-85, May 2, 1985

This Order approved Application ST85-07 which requested the implementation of a 50¢ charge for directory assistance calls originating in Saskatchewan and terminating in the United States. The charge is assessed after a customer has made more than fifty long distance directory assistance calls to the United States. The charge does not apply to inquiries regarding 800 and 900 service numbers.

Order ST 6-85, June 21, 1985

This Order granted interim approval of Application ST85-05 which requested approval of rates for General Mobile Telephone Service - Automatic (AutoPhone).

Order ST 7-85, August 28, 1985

This Order granted interim approval of Application ST85-10 which requested approval of rates for the TIE Smart Set Telephone.

Order ST 8-85, August 28, 1985

This Order granted interim approval of Application ST85-11 which requested approval of rates for the SL-1 Handsfree Auto Answer Unit.

Order ST 9-85, November 6, 1985

This Order granted final approval of the rates approved on an interim basis in Order ST 6-85 for the AutoPhone service. In addition, the Commission ordered SaskTel to submit a plan to keep the Commission informed of the actual performance of the AutoPhone service opposite SaskTel's projections as well as the effect of the introduction of AutoPhone on the GMTS-Manual system.

Order ST 10-85, November 6, 1985

This Order granted final approval of the rates given interim approval in Orders ST 8-84, ST 9-84, ST 10-84, ST 11-84, and ST 2-85, as well as some rates given interim approval in Order ST I-85. In addition, the Commission ordered that in all future applications requesting approval of rates for new equipment being introduced by SaskTel as a replacement for existing equipment, SaskTel is to specifically address the waiver of installation charges. In its decision, the Commission stated that SaskTel should continue to provide rate comparisons from other jurisdictions with minor amendment applications. The Commission also stated that it would continue to review SaskTel minor amendment applications internally and grant interim approval of rates. At regular intervals, thereafter, the Commission will give public notice of the application and of the Commission's intention to conduct a public hearing to consider final approval of the rates. If no parties wish to address the application, the Commission will consider final approval without a public hearing.

Order ST 11-85, November 6, 1985

This Order granted interim approval of Application ST85-13 which requested approval of rates for the Delphi 308 Electronic Multi-Line Key System, the Delphi 6 Speakerphone and the Delphi 6 Amplified Handset.

Order ST 12-85, November 22, 1985

This Order granted approval to Application ST85-17 for SaskTel to conduct a market trial in the city of Regina in order to promote touch tone telephone service. The Order permitted SaskTel to waive the order processing charge and the line connection charge to new residential subscribers, current rotary dial subscribers and current touch tone subscribers who change their residence. The waiver of charges commenced on January 1, 1986 and terminated on February 28, 1986. The Commission directed SaskTel to provide a copy of SaskTel's analysis of the results of the promotional trial to the Commission upon completion.

Order ST 13-85, December 4, 1985

This Order dealt with SaskTel's depreciation methods, procedures and techniques. SaskTel was ordered to continue filing its annual depreciation studies with the Commission each year and to include an explanation and justification of any changes in depreciation methods, procedures, techniques and rates which have occurred since the previous filing. The Order also dealt with specific elements of the depreciation policy to be employed by SaskTel for regulatory purposes.

Order ST 14-85, December 4, 1985

This Order granted interim approval of Application ST85-08 which requested approval of rates for the Mitel Superset III Telephone Set and Application ST85-09 which requested approval to introduce two-tier rates for the Mitel Superset IV Telephone Set which had previously been offered by SaskTel on a monthly blended rate. In its decision, the Commission directed SaskTel to provide the Commission with information on what would be involved in developing a system of customer records such that the necessary information would, in future, be available to allow the Commission to consider compensating customers switching from a monthly blended rate to a two-tier rate where contributions have already been made by those customers to SaskTel's recovery of the capital costs for the equipment.

Order ST 15-85, December 20, 1985

This Order granted interim approval of Application ST85-12 which requested approval of rates for the Electra 16/48 Electronic Multi-Line Key System. The Electra 16/48 had previously been offered by SaskTel on a special assembly contract basis. The Commission ordered that the Tier A portion of special assembly contracts rates were to continue in effect for the duration of the contract. The Tier B portion of special assembly contracts rates were to be reduced where they were higher than those approved in the Order and where lower than those approved in the Order they were to remain in effect under the terms and conditions of each contract.

Order ST 16-85, December 24, 1985

In Order ST 11-83, dated December 21, 1983, the Commission approved an application by SaskTel to conduct a two year trial of a maximum rate per minute of $.59 on customer dialed interprovincial toll calls placed during the 35% discount rate period. The trial period commenced on February 1, 1984 and was to expire as of February 1, 1986. By letter dated December 23, 1985, SaskTel requested approval to extend the trial period to February 1, 1987. This Order (ST 16-85) granted the approval sought by SaskTel.

Order ST 1-86, January 27, 1986

This Order addressed the question of under what circumstances the Commission is required to call advisors appointed under Section 21(2) of **The Public Utilities Review Commission Act** as witnesses at public hearings. In particular, the decision dealt with a motion by SaskTel that the Commission call, as witnesses, two advisors retained by the Commission to assist with the Commission's review of the SaskTel 1983 and 1984 Net Income Studies. In denying the motion the Commission stated that the decision of when it is bound to call its advisors or any other witness is the decision of the Commission and the Commission will not hesitate to do so when fairness demands.

The Order also specified the dates by which the Commission was to receive written summations from the parties and final replies from SaskTel regarding the 1983 and 1984 Net Income Studies.

Order ST 2-86, January 27, 1986

This Order denied Application ST84-10 which requested approval of rates for a residential optional calling plan called DIALPAC. In denying the Application, the Commission stated that it was of the view that offering DIALPAC only to residential subscribers and not to the business subscribers within qualifying exchanges would constitute unjustified preferential treatment.

Order ST 3-86, January 30, 1986

This Order dealt with Applications ST85-14 and ST85-16. Application ST85-14 requested approval of rates for the Northern Telecom SL-1S Business Communications System and was approved on an interim basis. Application ST85-16 requested approval of 1985 vintage rates for the Delphi 612 common equipment and was approved on an interim basis. The Order also granted final approval to the 1984 Vintage Tier A rates for the Delphi 612 which were granted interim approval in Order ST 1-85 and granted final approval of Tier B and Service Charge rates for the Delphi 612, which were granted interim approval in Order ST 1-85.

Order ST 4-86, February 24, 1986

This Order granted interim approval of Application ST85-15 which requested approval of rates for the Unity II Single Line Telephone Set.

Order ST 5-86, February 24, 1986

This Order granted interim approval of Application ST86-01 which requested approval of rates for restructured Wide Area Telephone Service (WATS).

Order ST 6-86, March 25, 1986

This Order granted interim approval of Application ST86-06 which requested approval of a non-standard service charge for the installation of a Superset III Wall Telephone Set.

Order ST 7-86, March 26, 1986

This Order was made pursuant to Order-in-Council #1197/85 and subsequent to the receipt of Application ST86-07. The Order granted approval of rates for the Telephone Exchange Boundary Review Pilot Projects (Caron-Moose Jaw, Sedley-Riceton, Vibank-Balgonie). In addition, the Commission directed SaskTel to file with the Commission, upon completion, the results of its study to assess the impact of the Pilot Projects on subscribers.

Saskatchewan Government Insurance

Order SGI 4-85, May 6, 1985

This Order granted approval of Application SGI 1-85 which requested approval of amendments to the premium schedule in order to correct errors in the premium schedule, establish premiums for new vehicle models, adjust certain premiums to provide consistency with existing rates and establish premiums for vehicles registered in some classes for the first time.

Order SGI 5-85, August 6, 1985

This Order granted approval of Application SGI 2-85 which requested approval of premiums for new models of 1985 vehicles and certain other vehicles being registered in the province for the first time.

Order SGI 6-85, November 4, 1985

This Order granted approval of Application SGI 6-85 which requested approval of premiums for vehicles being registered in the province for the first time, as well as adjustments to some premiums which were previously approved by the Commission. The premium adjustments were made to certain vehicles in order that the premiums could be brought into line with the premiums of other vehicles with similar specifications and similar expectations of loss. The premium adjustments were made retroactive to May 1, 1985 and the Commission ordered SGI to refund to the owners of the affected vehicles, on a pro-rated basis, the difference between the new lower premium and the old premium.

Saskatchewan Power Corporation

Order SPC 2-85, December 13, 1985

This Order was made pursuant to Order-in-Council #1143/85 and Order-in-Council #1198/85. The Order varied Order SPC 6-83 so that the losses to SPC resulting from the Saskatchewan Natural Gas Distribution Program would be included in the determination of the revenue requirement of the gas utility for regulatory purposes. The Commission had previously ordered that those losses to SPC would not be included in the determination of the revenue requirement for the gas utility. Order SPC 2-85 also approved amendments to SPC's Farm Irrigation Investment Business Policy to permit the Corporation to treat potential irrigation customers on a project basis whereby a construction contribution would be required from a minimum of 51% of potential irrigation customers prior to commencement.

Order SPC 3-85, December 20, 1985

In this Order, the Commission ordered SPC to appear before the Commission on February 10, 1986 to demonstrate to the Commission that the natural gas rates approved by the Commission in Order SPC 10-84 were reasonable and justified in the circumstances. In its decision the Commission expressed its view that at the December 1985 public hearing dealing with SPC's proposed Gas Cost Adjustment Mechanism, the Commission had received **prima facie** evidence that certain relevant facts were not before the Commission at the time that SPC's current natural gas rates were approved in Order SPC 10-84. Further the Commission heard evidence that there had been significant changes in the circumstances surrounding the supply of natural gas to SPC since Order SPC 10-84. The Commission noted that it had received sufficient **prima facie** evidence to warrant a review of Order SPC 10-84 as it relates to the cost of gas component of the rates established by that Order.

Order SPC I-86, February 24, 1986

This Order granted interim approval to SPC's December 11, 1985 Application which requested approval to implement a business policy for "Temporary Grain Dryer Service Extensions" and to revise the existing gas farm rate page GR8.0 to include grain drying equipment.

Order SPC 2-86, February 24, 1986

This Order granted an average 7.5% increase in SPC's electric rates effective March 1, 1986. In its decision the Commission noted that interim rate increases should only be granted in "emergency" situations caused by factors that were unforeseen by the applicant corporation. There was ample evidence that SPC had been aware for some time of the need for additional revenue for the electric utility; however, the Commission recognized that a further delay in beginning to restore the electric utility to financial health would only create a larger burden on future customers than the burden which SPC had already

created by neglecting to make timely rate applications to the Commission. The Commission did not grant SPC's request that the 7.5% increase be applied equally to all customer classes. The Commission noted that it had endorsed the concept of cost of service as a guiding principle for designing SPC's utility rates and that it expected cost of service to be a major factor in future rate design. The Commission stated that it considered that, regardless of which cost of service methodology was employed, the revenue to cost of service ratios for some classes were far enough away from 1.0 that minor adjustments were warranted on an interim basis. Therefore, SPC was ordered to apply an 8.0% increase to the Residential, Farms, Street Lighting and Swift Current Bulk rate classes and apply a sufficient percentage increase to the remaining classes to produce the revenue requested by SPC in its application. The Commission stated that the rate adjustments were within the range of acceptable rate increases as defined by SPC.

With respect to the North-Sask Electric Ltd. rates, the grid customer classes and government account diesel customer classes were to receive the same rate increase as SPC's comparable customer classes. With respect to the residential diesel and general service diesel non-government classes which are billed on an inverted block rate structure, the Commission exempted the upper portion of the inverted block rate from any increase at that time and ordered that the lower portion of the block rate was to be increased to be consistent with the rate increases ordered for the various SPC rate classes.

Since SPC had indicated that it intended to apply in 1986 to the Commission for a further rate increase effective January 1, 1987, the Commission ordered that the interim rate increases would be effective only from March 1, 1986 to December 31, 1986 and ordered SPC to file revised rates schedules with the Commission which reflected the Commission's decision.

Order SPC 3-86, February 27, 1986

This Order approved the rate revisions filed by SPC pursuant to Order SPC 2-86 effective on an interim basis from March 1, 1986 to December 31, 1986.

Order SPC 4-86, February 28, 1986

This Order followed from the Commission's review of Order SPC 10-84 as ordered in Order SPC 3-85.

In its decision, the Commission stated that the evidence received at the February 10-12, 1986 public hearing showed that it did not have all of the relevant evidence before it when it issued Order SPC 10-84, on September 6, 1984, and that there had been significant changes in the cost of gas since Order SPC 10-84 had been issued. These findings justified a variation of Order SPC 10-84. The Commission found that there had been a decrease in the cost of natural gas to SPC and an increase in non-gas costs and that SPC's failure to submit gas rate applications to the Commission in such circumstances amounted to unilateral rate-making since the revenue to cost of service relationships between the different customer classes were changing. Accordingly, the Commission found that the current natural gas rates were not reasonable and justified in the circumstances.

The Commission also stated that, strictly speaking, the correct course of action for the Commission would have been to vary Order SPC 10-84 by reducing the cost of gas component of natural gas rates in 1986 and to order a refund of $10.159 million for overrecovery of gas costs by SPC during 1985. However, bearing in mind that the non-gas costs of SPC increased in 1985 and were forecast to increase in 1986, the Commission deemed the 1985 non-gas cost increases to be reasonable and ordered a refund of the difference between the reduction in 1985 gas costs and the increase in 1985 non-gas costs which amounted to $4,310,000. For 1986, the Commission stated that the difference between the forecast reduction in 1986 gas costs and the forecast increase in 1986 non-gas costs was $3.794 million. The Commission indicated that it would refund at least this amount in 1987 based on a review of the cost of service of the gas utility by customer class for 1986.

The Order amended Order SPC 10-84 by making the rates approved by that Order interim rates effective January 1, 1985 and stipulating a unit cost of gas embedded in current natural gas rates. Order SPC 4-86 approved final 1985 natural gas rates lower than those given interim approval in the amended Order SPC 10-84 and ordered SPC to refund to 1985 natural gas customers the total amount of $4,310,000. The Commission also ordered SPC to file, concurrent with the 1986 filing of a General Gas Rate Application, evidence showing the 1986 cost of service of the gas utility.

Order SPC 5-86, March 27, 1986

This Order varied Order SPC 4-86 to clarify that the full amount of the $4,310,000 refund ordered for 1985 gas customers was to apply to SPC's Saskatchewan natural gas customers only.

ɔplications and Matters Outstanding

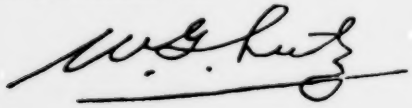
larch 31, 1986 there was one SaskTel minor
ndment application (ST 86-08), one SGI minor
ndment application (SGI 7-86) and one SPC minor
ndment application (dated March 19, 1986)
tanding. In addition, the Commission had not
ed decisions regarding the treatment of information
by SaskTel on a confidential basis or SaskTel's
and 1984 Net Income Studies. Further the Commission had not issued decisions regarding SPC's Capacity Adequacy Assessment Techniques and Criteria for Generation Planning Report, SPC's Cost of Service Studies for the Electric and Gas Utilities, SPC's Depreciation Methods and Practices, SPC's Load Forecasting Procedures or SPC's proposed Gas Cost Adjustment Mechanism.

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the balance sheet of Public Utilities Review Commission as at March 31, 1986 and the statement of revenue, expenditure and operating surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.



W.G. Lutz, F.C.A.
Provincial Auditor.

Regina, Saskatchewan,
June 20, 1986.

Balance Sheet
s at March 31

Statement 1

	1986	1985
ssets		
urrent		
Cash	**$ 690**	$ 24,747
Term deposits — at cost	**143,850**	145,777
Accounts receivable	**89,937**	46,335
Prepaid expenses	**1,900**	900
	236,377	217,759
ixed assets		
Office equipment	**42,517**	36,629
Library	**7,202**	5,485
	49,719	42,114
	$286,096	$259,873
iabilities and Equity		
urrent Liabilities		
Accounts payable	**$ 4,210**	$ 10,932
quity		
Equity in fixed assets	**49,719**	42,114
Operating surplus (Statement 2)	**232,167**	206,827
	$286,096	$259,873

See accompanying notes to the financial statements)

Statement of Revenue, Expenditure and Operating Surplus

Statement 2

For the Year Ended March 31

	1986	1985
Revenue		
Direct hearing cost recoveries	**$384,832**	$201,607
Department of Justice	**248,630**	243,657
Investment	**18,698**	20,862
	652,160	466,126
Expenditure		
Direct hearing cost expenses (Schedule 1)	**384,832**	201,607
Salaries and fringe benefits	**182,410**	166,742
Commissioners' expense	**15,652**	14,042
Miscellaneous	**14,616**	15,720
Office supplies	**6,953**	5,588
Conference expenses	**6,345**	12,187
Purchase of fixed assets — office equipment	**5,887**	11,152
— library	**1,717**	2,361
Telephone	**4,326**	5,601
Travel	**3,922**	227
Consultants and legal services	**160**	256
	626,820	435,483
Excess of revenue over expenditure	**25,340**	30,643
Operating surplus, beginning of year	**206,827**	176,184
Operating surplus, end of year	**$232,167**	$206,827

(See accompanying notes to the financial statements)

Notes to Financial Statements

March 31, 1986

1. **Accounting Policies**
   a) Revenue
   The following are included in revenue for the Commission:
      i) sums required for the purposes of the Commission as appropriated by the Legislature and received from the Department of Justice.
      ii) direct costs incidental to a proceeding.
   b) Fixed assets
   The Commission utilizes fund accounting wherein expenditures for fixed assets appear in the statement of revenue, expenditure and operating surplus. To maintain accountability for fixed assets, it is necessary to record them as a balance sheet asset with a corresponding entry to "Equity in Fixed Assets." Because fixed asset purchases are included in the statement of revenue, expenditure and operating surplus, no provision has been made for depreciation of the fixed assets.
   c) The office of the Commission is located in a government building and accordingly no rent is paid for the use of that space. Neither the value of this benefit nor the costs related to this space are reflected in the financial statements.
   d) As provided by Order in Council #1522/82, the remuneration of the Commission chairman includes his remuneration as Associate Chief Judge of the Provincial Court of Saskatchewan funded by the Department of Justice. Therefore, these financial statements do not reflect this portion of the cost of his remuneration.
2. **Incorporation**
   The Commission was established by **The Public Utilities Review Commission Act** which came into force by Order-in-Council #1483/82, September 21, 1982.

Schedule of Direct Hearing Expenses

Schedule 1

For the Year Ended March 31

	1986	1985
Consultants	$200,251	$102,987
Legal counsel	11,322	30,867
Commissioners	79,205	30,410
Court reporting	46,102	14,778
Publication	18,944	11,098
Other	22,684	8,562
Audio Visual	6,324	2,905
Total direct hearing expenses (Statement 2)	$384,832	$201,607